

**USAID/Ecuador**  
**Operational Plan**

**FY 2006**

June 15, 2006

## **Please Note:**

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**Program Performance Summary FY 2005:** Since the financial crisis of 1999, Ecuador has made important advances to stabilize its economy, but political and economic crises in 2005 slowed these advances. GDP, which increased from 2.8% in 2001 to a robust 6.9% in December of 2004, dropped to 2.9% in 2005. Inflation has gone down from 91% in 2001 to 1.95% in 2004, but rose to 3.6% by October 2005. For 2005, total export revenue rose by 26.2% primarily due to the strength of the oil sector. Import growth was also strong, underscored by state pension refunds, which increased disposable income. Inflation this year will be around 4%, which is higher than last year, but still much lower than the rates the country had in the past.

For decades Ecuador has failed to adopt the structural reforms needed to attain significant levels of growth and to be able to substantially reduce high levels of poverty (67%). Oil revenues account for 21% of GDP, followed in importance by \$1.6 billion in remittances and an estimated \$500 million in illegal drug trade. The unemployment rate continues to be high at 9.8%.

Given Ecuador's political instability, inequitable economic growth, lack of employment opportunities and societal imbalances, in the last 8 years, more than one million Ecuadorians (8% of the population) have permanently emigrated, primarily to Spain and the United States. The collapsed political system, fragmented political parties whose members in most cases advocate the narrow economic and political interests of their party leader, and the lack of a national political agenda are just some of the factors that contribute to this instability.

After 25 years, both democratic practices and institutions have seen a steady decline over the last years. Three elected presidents since 1997 have been removed before the end of their terms. The last case happened with Lucio Gutiérrez, who won the presidency in a second-round run-off in November 2002, but was ousted by Congress in April, 2005 after popular protests. His vice-president, Alfredo Palacio, will hopefully complete his current term in January, 2007.

Congressional and presidential elections are scheduled to be held on October 15, 2006, with a second-round run-off to be held within 45 days of this date, if necessary. So far, there is no obvious successor to Palacio.

The United States and Ecuador share goals of strengthening democracy, building sustainable economic growth through trade, and combating narcotrafficking. The current USAID program is supporting Ecuador's efforts to address fundamental development priorities to move towards a peaceful, democratic and market oriented country. Through targeted interventions, USAID is helping Ecuador to conserve its unique biodiversity, increase citizen support for the democratic system, contain the spread of the Andean coca/cocaine economy into Ecuador, improve the living conditions of the people in the northern and southern borders, and reduce rural and urban poverty across the country.

Challenges: Ecuador's greatest challenges for the future are to build a stable democracy, reactivate the economy, decrease poverty and deal with the escalating impacts of the narco-economy. By combating the root causes of instability (government control of resources, rent-seeking and self interest pursuit among elites, poor education, undiversified economy, and weak institutions undermined by corruption), Ecuador will make real advances.

#### Key achievements:

1. Environment: USAID helped Ecuador conserve its unique biological resources. With USAID support, 225,336 hectares of indigenous territories are now under improved management practices. The indigenous guards program in the Cofan territory is patrolling 323,700 hectares, and 105 kilometers of boundaries in two highly threatened and biodiverse segments of the Cofan territory were demarcated. In the Galapagos, the program successfully engaged the Government of Ecuador to support the selection process for a new Park Director; provided assistance to the Ministry of Environment to prohibit sport fishing activities until it is properly regulated; supported the development of the regulatory framework for experiential artisanal fishing activity, and for underwater and coastal cleanup. In FY 2005, USAID also supported several economic alternatives for the artisanal fishermen and their families, helping to reduce

the conflict between fishermen and other stakeholders. Achievements in the Tropical Andes include the control of illegal activities, such as fires and grazing in sensitive areas, and generation of revenues by the local tourism sector. Rural communities are actively engaged in conservation, signing agreements to protect the areas and funding community park guards. The private sector is also engaged in conservation efforts. The Quito Water Utilities Company has institutionalized a management plan for 4,105 hectares inside the Antisana Reserve. Finally, sustainable financing for biodiversity conservation is a key consideration. In FY 2005 the Quito Water Fund invested \$424,000 of its own funds and leveraged \$690,700 to support conservation activities, while indigenous organizations were able to leverage \$458,900.

2. Southern Border: As a result of USAID activities, strong partnerships have been created with implementing nongovernmental organizations and local governments that have expanded and increased the availability of social services. In FY 2005 10 potable water systems and 463 sanitation units (latrines) were constructed or improved and five garbage collection systems were built. Approximately 71,000 new hectares of communal indigenous land were titled and 40,000 new hectares of land are under natural resource management plans, which will contribute to the conservation of a fragile area of the Ecuadorian jungle. Several municipalities demonstrated the capacity to effectively deliver services with greater citizen participation and oversight. They are instilling in local communities an appreciation for the benefits of good governance. In FY 2005 four new local governments improved their tax collection mechanisms and established better control procedures in warehouses, eliminating opportunities for corruption and improving resource management. Six local governments have implemented consultative processes with the participation of approximately 2,500 citizens as community water board members and also on the County Development Committees. Furthermore, local communities are actively participating and contributing counterpart (basic construction materials, land, transportation, and their labor) in the planning and construction of community potable water systems and solid waste management systems, getting practical and first hand experience in responsible democratic action. The improved access to potable water has had positive impacts on the educational achievements of thousands of children. There have been significant increases in school attendance due to reduced incidence of diarrheal diseases among the children that now have access to potable water. In the community of Chahuarpamba, the school teacher estimated that children's attendance increased by at least 70%. With improved aquaculture production and family gardens, natural resource management has been enhanced. Finally, the social services component, has had mitigating effects on out-migration. As of the end of FY 2005, the program benefited approximately 478,000 people of the southern border provinces.

3. Democracy: USAID's FY 2005 program made important contributions to efforts to devolve authority and decision making to local authorities, and develop more pluralistic and participatory democratic practices at the local level. A pilot program designed to strengthen the institutional capacities of the lower courts and prosecutorial office in the city of Cuenca produced a 41% reduction in unnecessary detentions through preliminary hearings and a reduction from 36 to 20 hours in the average time to assign cases within the judicial system. USAID also financed eight legal clinics in six cities where 3,609 indigent defendants (women, indigenous people etc.) received legal counseling and defense services. More than 1,000 victims of trafficking, sexual abuse and domestic violence received psychological and medical care or legal services. USAID-supported NGOs helped organize peaceful citizen responses to the political crisis in Ecuador protesting the dismissal of the Supreme Court, the Constitutional Tribunal and the Electoral Tribunal. USAID also supported an oversight network (Veeduría) that helped implement a transparent and participatory process to select a new Supreme Court. USAID also helped improve democratic governance at the local level. Citizen participation processes were consolidated in 34 local governments, while citizen oversight mechanisms monitored targeted service improvement in 28 local governments. A masters-level program in local government management was inaugurated in four universities in CY 2005.

4. Northern Border: The program made significant improvements in the lives of more than 100,000 poor, indigenous and Afro-Ecuadorian citizens, thus maximizing regional impact and helping improve local democratic conditions that contributed to national security and stability. With USAID assistance, 35 water systems, eight sewerage systems and 11 bridges have been built and/or repaired during FY 2005. Around 7,706 families' livelihoods were significantly improved by an income increase from \$428 to \$731

in one year, through better agricultural and marketing practices, helping contain the migration trend. The October, 2005 Democratic Values Survey (Seligson/CEDATOS) of the five municipalities where USAID has concentrated its efforts (Cascales, Putumayo, Lago Agrio, Joya de los Sachas and Eloy Alfaro) revealed very positive results. Satisfaction with municipal services increased from 44.4% to 52%; and trust in local government increased from 32.4% to 42.2%, both surpassing program targets. Additionally, during FY 2005 more than 14,000 new hectares have been devoted to licit agricultural crops. The innovative public information media campaign "JUNTOS" ("Together") launched this year, succeeded in identifying Northern Border efforts as positive contributions by the United States and Ecuador governments.

5. Economic Opportunities: USAID support was crucial in facilitating the participation of Ecuador in the Free Trade Agreement (FTA) negotiations. Although many issues are still pending resolution, hopefully in February, 2006 a FTA will be signed. Approximately 12,200 people of different sectors of society have been reached with information regarding the benefits of the FTA (universities, private and public sector organization). Activities with the Internal Revenue Service and the Ministry of Finance did not move at the desired pace, due to the continued instability of the government, delaying full accomplishment of results. However, tax revenue collections stayed high at 11.2% of GDP for 2005. In FY 2005, USAID started four pilot clusters to improve competitiveness. Impact will be measured in 2006.

USAID support to strengthen the financial sector achieved significant results. The number of microcredit clients in the 21 assisted institutions tripled since 2001, reaching 385,450. There are approximately 1,250,000 microenterprises in Ecuador and USAID partners are providing loans to 31% of the total market. Provision of financial services has been expanded through their 230 branches throughout the country. The portfolio at risk of more than 30 days continued to decline to 2.67% versus the 7.1% average for Ecuador's regulated industry. The success of USAID efforts in this sector is also reflected in the approval of two important laws: the Credit Bureau Law that legalizes six private credit bureaus and, the Money Laundering Law to prevent, detect and sanction money laundering activities.

Cross-Cutting Issues: USAID assistance has been instrumental in promoting anticorruption and transparency across all program components. In the Environment sector, USAID assistance has been crucial to reduce the incidence of illegal logging and poaching. The selection process for the new Galapagos Park Director, also reflects USAID's on-going efforts to improve transparency. The Southern Border program helped municipalities improve transparency and efficiency by providing computerized systems for tax collection and improving municipal warehouse inventory practices. In the Democracy program, USAID supported the creation of a coalition of 37 Ecuadorian NGOs which monitored the selection process for new Supreme Court Judges, ensuring that the best and most qualified candidates were selected. USAID also sponsored citizen oversight committees at the municipal level to influence how the municipalities established their priorities and invested their resources. USAID also supported the creation of citizen oversight functions in the Ecuadorian Congress and monitoring of compliance with financial disclosure requirements for candidates and public officials. Transparency and anti-corruption efforts in 2005 in the Economic Opportunities program included passage by the Ecuadorian Congress of an anti-money laundering law, which will help prevent, detect, and sanction money laundering activities. Strengthening of the Private Credit Bureau system in Ecuador will also help ensure that funds are lent to creditworthy borrowers. USAID also completed an in-depth analysis of the Ministry of Economy and Finance procedures, highlighting areas where employee discretion could permit 'rent-seeking' behavior.

Gender: USAID's Economic Opportunities program is helping women access credit to establish or expand their small businesses. In FY 2005, 55% (213,541) of active credit clients are women. In the Southern Border program, women participation in the water boards management has increased from 0% to 30%. The Environment program trained 1,600 indigenous people (48% women) on forestry, biodiversity, microenterprise, accounting and management.

Global Development Alliances and Partnerships: In FY 2005, USAID/Ecuador leveraged \$5 million through a financial guarantee for a bond issue by a microfinance institution. This guarantee will permit them to expand financial services and create new services for at least 3,000 additional micro entrepreneurs and small businesses. USAID/Ecuador also leveraged \$2.2 million through FY 2005, from

Global Development Alliances (GDAs) and partnerships with non-traditional partners, primarily the private sector. A GDA with Fundación Esquel was initiated to support citizen participation and oversight, and local government strengthening mainly in indigenous local governments. A GDA with Geneva Global was implemented in areas of prevention, rehabilitation, prosecution and legislative reform to combat trafficking in persons.

Presidential Initiatives: USAID/Ecuador responded to four Presidential Initiatives in FY 2005, including: 1) Global Climate Change - biodiversity conservation programs; 2) Water for the Poor - activities to conserve watersheds and ensure efficient water service delivery by local governments; 3) Center of Excellence for Teachers Training - Ecuador is participating with Peru and Bolivia; and, 4) Trafficking in Persons (TIP) - USAID participates in a USG working group to help the Government of Ecuador address TIP and move out of Tier III classification.

**FY 2006 Program****SO: 518-001 Biodiversity Conserved in Selected Protected Areas , Their Buffer Zones and Indigenous Territories****Improve Sustainable Management Of Natural Resources & Biodiversity**

Improve Sustainable Management of Natural Resources & Biodiversity (\$4,598,000 DA). In northern Ecuador, indigenous peoples are extremely poor and vulnerable to the growing spillover effects of narcotrafficking and related violence from Colombia. To address this, USAID supports the efforts of lowland indigenous people to consolidate control over their territories, strengthen their institutions, and develop sustainable and licit sources of income. Over 1,000,000 hectares of indigenous territories will be under adequate management, with secure land use rights or title, by 2007.

USAID supports alliances between indigenous groups, the private sector and civil society organizations to consolidate the financial, political and organizational strength of indigenous institutions. Household incomes are increased through at least four viable microenterprises or through payments for environmental services. USAID also provides technical assistance in strategic planning, financial and natural resources management to five partner organization training 1,500 indigenous people.

In the Galapagos, USAID supports the physical demarcation of 1,667 km of the islands coastal zoning. Assistance in conflict management and institutional strengthening helps to consolidate the functioning of the Marine Reserve governance system. USAID's public outreach activities promote greater public support for conservation efforts. Collaborative efforts among various USAID programs will provide technical and financial assistance to improve the islands' financial services by merging a local cooperative with one from continental Ecuador, promote increased public participation in local government decisions, and operate a community-based ecotourism activity on Isabela Island.

In the Tropical Andes, USAID assistance is helping to create a functioning system of community park guards, who are being trained, equipped, and sustainably financed, in four protected areas. USAID is providing technical assistance to help stakeholders along 120 km of conflictive park boundaries resolve their disputes. Elsewhere, private landowners in three sites are being trained in land usage to improve the management of at least 10,000 hectares. Additionally, USAID is assisting at least three municipal governments apply policies that promote sound environmental management in their jurisdictions. USAID will participate as appropriate in the Amazon Basin Initiative.

These programs will enhance cooperation between the United States and Ecuador under the Environmental Cooperation Agreement (ECA) of the bilateral Free Trade Agreement currently being negotiated. USAID is assisting Ecuadorian institutions charged with implementing, monitoring, and adjudicating the ECA in order to promote transparency, technically sound decisions, and public participation (including access for indigenous groups and other minorities). Specifically with the ECA, USAID will help the Government of Ecuador (GOE) address conservation and sustainable use of biodiversity, voluntary mechanisms to improve environmental management, (including partnerships with local communities, businesses, and NGOs), and effective enforcement of laws and regulations.

Prime implementers: Chemonics International, World Wildlife Fund, The Nature Conservancy, and others to be determined competitively

**FY 2007 Program****SO: 518-001 Biodiversity Conserved in Selected Protected Areas , Their Buffer Zones and Indigenous Territories****Improve Sustainable Management Of Natural Resources & Biodiversity**

There will be no new obligations to this Strategic Objective. A new strategy will begin in FY 2007.

**FY 2006 Program**

**SO: 518-011 Improved Social and Economic Conditions of Inhabitants along the Peru-Ecuador Border, Thereby Promoting Border Integration**

**Improve Access To Clean Water & Sanitation**

Improve Access to Clean Water and Sanitation (\$600,000 ESF). USAID is expanding access to social services (e.g. potable water, sanitation, and garbage collection), benefiting over 6,000 people at the community and village levels. To manage and maintain the water systems, the program ensures that these communities elect water boards, whose main goal is to achieve sustainability of the systems. Four potable water systems are being built or improved, along with 300 new or improved sanitation units (both school and family latrines), and one new or improved garbage collection system. By the end of the project in 2008, the program will have directly contributed to a 60% increase in the integrated management of solid waste disposal in the four program provinces (Loja, El Oro, Morona Santiago and Zamora Chinchipe) and a 13% increase nationally. In all communities where water systems, sanitation units and solid waste management systems are established, there will be an integrated approach, including sanitation, environmental education and strengthening of community and municipal organizations to sustain the systems. During this fiscal year, this component will be implemented only in Loja and Morona Santiago provinces. Principal implementer: CARE International.

**Improve Sustainable Management Of Natural Resources & Biodiversity**

Improve Sustainable Management Of Natural Resources & Biodiversity (\$390,000 ESF). USAID provides training to a group of local indigenous technicians in land titling methodology which will assure that an additional 10,000 hectares are titled. Also, USAID is developing natural resource management plans for an additional 10,000 hectares of communal land. The number of beneficiaries under this component will be approximately 2,000. Principal Implementer: CARE International

**FY 2007 Program**

**SO: 518-011 Improved Social and Economic Conditions of Inhabitants along the Peru-Ecuador Border, Thereby Promoting Border Integration**

**Improve Access To Clean Water & Sanitation**

Improve Access to Clean Water and Sanitation (\$1,000,000 ESF). USAID will continue supporting access to social services (e.g. potable water, sanitation, and garbage collection), benefiting over 10,000 people at the community and village levels. To sustain the systems, these communities will elect water boards, whose main goal will be to achieve sustainability of the systems. Seven potable water systems will be built or improved, along with 400 new or improved sanitation units, and two new or improved garbage collection systems. In all communities where water systems, sanitation units and solid waste management systems are established, sanitation, environmental education, and strengthening of community and municipal organizations will be integrated. This component will be implemented in Morona Santiago, Zamora Chinchipe and Loja provinces. Principal implementer: CARE International.

**Improve Sustainable Management Of Natural Resources & Biodiversity**

Improve Sustainable Management of Natural Resources and Biodiversity (\$644,000 ESF). USAID will consolidate training to a group of local indigenous technicians in land titling methodology, which will assure that an additional 15,000 hectares are titled. Also, USAID will develop natural resource management plans for an additional 15,000 hectares of communal land. The number of beneficiaries under this component will be approximately 3,000. The program will continue assisting small scale farmers to harvest timber with minimum environmental impact. Emphasis will be given to strengthen the quality of agricultural, livestock and forestry production and the integration of these into local commerce. Special emphasis will be placed on strengthening the local capacity of communities and associations of farmers, foresters, artisans and indigenous federations for natural resource management. This



component will be implemented in Morona Santiago and Loja provinces. Principal implementer: CARE International

## **FY 2006 Program**

### **SO: 518-012 Increased Support for the Democratic System**

#### **Reduce Trafficking In Persons**

Reduce Trafficking In Persons (\$250,000 FY 2005 ESF Carryover). Building on program achievements and recommendations from an assessment, USAID is expanding its Trafficking in Persons (TIP) program to help GOE implement its national anti-trafficking plan through prevention, prosecution, and protection (rescue, rehabilitation, and re-integration) in targeted geographic areas. Activities include coordination mechanisms between local governments and civil society; assistance to victims; training for local officials, police and judges on the application of TIP related legislation and ordinances and public outreach campaigns. Principal implementers: To be determined through a competitive process.

#### **Strengthen Civil Society**

Strengthen Civil Society (\$1,400,000 ESF). USAID supports domestic NGO observation of the 2006 national elections including access for persons with disabilities, civic and voter education campaigns, public debates with candidates, quick vote counts, and NGO monitoring of campaign spending and enforcement of electoral laws. USAID is consolidating the leadership training of Participacion Ciudadana's (PC) (provincial leaders and their counterpart youth coordinators) in 22 provinces to develop the next generation of civic leaders. In addition, PC will analyze the results of the National Democratic Values Survey (NDVS) and similar measures of socio-economic and political factors affecting or contributing to citizen support for democracy and organize focus groups to discuss major issues to orient national and local policies. These initiatives will serve to: expand the use of the rich data generated by the NDVS surveys; gather local information in each province to be utilized in the implementation of PC's activities, including communication products, analyses, and events with public elected officials and candidates; and enhance PC's capacity to conduct public opinion surveys that could be offered to cooperating agencies and the private sector to strengthen PC's financial sustainability. USAID will also support civic education campaigns on democratic values and practices, involving citizens, especially youth, and accountability by elected officials. Principal implementer: Participacion Ciudadana.

#### **Strengthen the Justice Sector**

Strengthen the Justice Sector (\$990,000 DA; \$380,000 ESF). USAID continues to provide technical assistance to consolidate the results achieved in the implementation of the accusatory criminal justice system. This includes training for judges, prosecutors, public defenders, judicial police, lawyers, law faculties and bar associations in order to develop a cadre of experts to implement the accusatory system. At the local level, the program will expand its pilot model to two additional cities. Subject to political will from key judicial institutions (Supreme Court, Prosecutor General Office, Public Defender), the program may also assist the National Commission for Criminal Justice Reform and the National Judicial Council to design and implement comprehensive administrative and procedural reforms. USAID is expanding support to five legal service offices providing training, technical assistance and implementation of a case tracking system, enhancing their capacities for service delivery and sustainability. USAID uses ESF funds to replicate civil society oversight of judicial performance and independence in the administration of justice at the local level in two additional cities. USAID supports civil society and the judiciary's efforts to formulate, disseminate, and implement the Access to Public Information Law, Public Defender Law, and reforms to the CPC. This program component also promotes the institutional and financial sustainability of the local implementer; and the continuity of the justice reform efforts. Principal implementers: Fundacion Esquel and others to be determined through a competitive process.

## **Support Democratic Local Government & Decentralization**

Support Democratic Local Government & Decentralization (\$200,000 ESF). USAID is phasing out of its current municipal strengthening programs and designing a new program to advance local governance and decentralization, and support local economic development. USAID is contracting an assessment of its local governance programs and a design of a new program in this area. Principal Implementer(s): To be determined through a competitive process.

### **FY 2007 Program**

#### **SO: 518-012 Increased Support for the Democratic System**

##### **Strengthen Civil Society**

There will be no new obligations to this Strategic Objective. A new strategy will begin in FY 2007.

### **FY 2006 Program**

#### **SO: 518-013 Spread of the Andean Regional Coca/Cocaine Economy into Ecuador Contained**

##### **Develop & Expand Alternative Development**

Develop and Expand Alternative Development (\$11,425,000 ACI). The program will be implemented through the following sub-components:

Social Infrastructure and Local Governance Improvement (\$7,300,000 ACI): The program finances construction and/or rehabilitation of some 20 water and sanitation systems across six Northern provinces, serving approximately 25,000 beneficiaries. Emphasis on sustainability of the existing infrastructure will include comprehensive training of the 70 Community Water Boards and 11 municipal water administration units in operations, maintenance, and tariff collection. USAID continues to assist targeted municipalities to improved service delivery; transparency and accountability through citizen oversight committees; participatory budgeting; and improved management systems. This assistance is being extended to include San Lorenzo and several other Northern Border municipalities. Anti-Trafficking in Persons activities will be expanded to six new municipalities. Interventions will increase awareness among the public and decision makers and improve enforcement of sanctions at the local level. Principal implementer: International Organization of Migration (IOM).

Productive Infrastructure and Licit Productive Activities (\$4,025,000 ACI) USAID supports productive infrastructure activities which complement agricultural production and marketing. This includes the construction of two roads, an irrigation system, and nine bridges that will benefit more than 9,000 people. The agricultural programs in cacao, coffee and horticultural products are being evaluated to measure the benefits of productive activities to increasing income and jobs. Principal Implementers: IOM and others to be determined competitively.

Communication and Public Diplomacy (\$100,00 ACI) USAID will support an innovative United States and Ecuadorian public media campaign "Juntos" ("Together") activity which promotes the northern border region as an area of economic development opportunities. This activity will be conducted through a series of national and regional outreach activities, including fairs, exhibits and conferences. USAID funds public relation events that include radio and television campaigns, billboards, special publications, public education, and outreach initiatives will be funded. In addition, cultural activities, musical projects and links with regional universities will be conducted. Principal Implementers: IOM and others to be determined competitively

### **FY 2007 Program**

#### **SO: 518-013 Spread of the Andean Regional Coca/Cocaine Economy into Ecuador Contained**

##### **Develop & Expand Alternative Development**

There will be no new obligations to this Strategic Objective. A new strategy will begin in FY 2007.

**FY 2006 Program**

**SO: 518-014 Increased Economic Opportunities for the Poor**

**Improve Private Sector Competitiveness**

Improve Private Sector Competitiveness (\$250,000 DA; \$740,000 ESF; \$269,000 DCA FY 2004 Carryover). USAID provides technical assistance to selected industry clusters that have a competitive advantage to produce and market goods and/or services for domestic and/or export markets. USAID measures the changes in income, increase in market shares and job creation for these pilot activities. It is expected that exports will increase at least 10% over the baseline. The program identifies buyers to broker deals with producers, tapping new market outlets, such as supermarkets and wholesale buyers, to by-pass traditional middlemen. Technical assistance will be provided to medium, small, and micro-businesses to adapt their products to the requirement of the buyers. USAID funds pilot programs in specific sectors to assist the process of reconversion and/or adaptation to changing market demands, in response to an enhanced free trade environment. USAID supports a financial guarantee with a commercial bank for rural sector activities and provides technical assistance to selected financial intermediaries to develop financial products for small producers in rural areas.

**Increase Trade and Investment**

Increase Trade and Investment (\$740,000 DA; \$250,000 ESF). USAID is supporting Ecuador's efforts to ratify and comply with the Free Trade Agreement (FTA). Once the Agreement is approved USAID will provide technical assistance to implement and adapt laws and institutions to meet FTA's terms and train government officials on the new rules of free trade. Priority will be given to labor, intellectual property rights, technical barriers to trade, and sanitary and phytosanitary standards. Compliance with environment standards will also be a priority. Technical assistance to reform customs will be provided and USAID will work with sectors that may be adversely affected by FTA. USAID will support government efforts to increase competitiveness in sectors where Ecuador has the potential to participate successfully in an open market. If the FTA is not signed, USAID will continue to promote trade, application of World Trade Organization (WTO) standards, strengthening of trade related institutions and eliminating barriers to investment. USAID uses ESF funds to help farmers convert to more competitive products to increase income and employment. Also with ESF funds, USAID is promoting debate and supports local and private institutions efforts to push for structural reforms in the electrical, telecommunication, and oil sectors. Inefficiencies in these sectors create major obstacles for investment and private sector development.

**FY 2007 Program**

**SO: 518-014 Increased Economic Opportunities for the Poor**

**Increase Trade and Investment**

There will be no new obligations to this Strategic Objective. A new strategy will begin in FY 2007.

**FY 2006 Program**

**SO: 518-XX1 Democracy**

**Strengthen Democratic Political Parties**

There are no activities planned.

**FY 2007 Program**

**SO: 518-XX1 Democracy**

**Strengthen Civil Society**

Strengthen Civil Society (\$1,100,000 ESF). USAID will support the locally targeted efforts of civil society organizations (NGOs, professional business associations, trade unions, community development and self-help groups) to improve their capacity to make key policy contributions, consolidate effective oversight and transparency practices, enhance accountability of elected officials, and management of public funds. Civil society organizations will contribute to the improved regulatory environment at the local level by overseeing judicial institutions and helping to formulate concrete actions that enhance the legal environment, alternative dispute resolution and community mediation. To increase public participation and to prepare future local leaders, USAID will support civic education campaigns to re-introduce civic values and ethics codes in schools, local governments, businesses, and professional and civic associations. The program will support the 2008 local elections by sponsoring events to discuss candidates' economic development plans, and their compliance with campaign financing and other electoral laws. Finally, USAID will support the development, discussion and analysis of local opinion polls to generate better understanding and debate of key issues. Prime implementers: To be determined through a competitive process.

### **Support Democratic Local Government & Decentralization**

Support Democratic Local Government & Decentralization (\$2,000,000 CSH; \$1,000,000 DA; \$1,078,000 ESF): Support will include strengthening local government management and service delivery, and in coordination with the new Alternative Development and Natural Resources, Trade and Competitiveness programs, improve local regulatory conditions, infrastructure and incentives for local economic growth. USAID will work with the central government, other donors, NGOs, and the private sector to leverage resources and investments necessary to further decentralization and promote local economic growth. USAID will use ESF funds to support, at the local level, the development of economic pilot programs to improve the regulatory and investment environment, so that existing enterprises can expand and new businesses are attracted to these municipalities. As a result of this effort, new jobs will be created, incomes will increase and the tax base will be expanded and will also increase. This increase in tax revenues will further stimulate the municipalities to provide the necessary infrastructure to promote more business development as well as to provide better service to residents.

USAID will also fund technical assistance and training to strengthen the capacity of local governments to coordinate and improve child and maternal health service delivery, and to expand and implement a Direct Observation Treatment Strategy (DOTS) for tuberculosis. USAID may also support the development of a tuberculosis surveillance system, in coordination with The Global Fund Tuberculosis Grant for Ecuador.

USAID plans to implement education activities that will focus on: supporting alternative/municipal-run primary schools, particularly in literacy and math; improving the quality and opportunities for primary teacher training; and developing democratic values curricula and dissemination materials thru primary schools. Prime implementers: To be determined through a competitive process.

### **FY 2006 Program**

#### **SO: 518-XX2 Alternative Development**

#### **Develop & Expand Alternative Development**

There are no activities planned.

### **FY 2007 Program**

#### **SO: 518-XX2 Alternative Development**

#### **Develop & Expand Alternative Development**

Develop and Expand Alternative Development (\$8,400,000 ACI). USAID will support local government service delivery, such as water and sanitation. Outreach and management will be strengthened to

increase citizen satisfaction and stability through good governance, increased/improved social infrastructure, and economic development. These efforts will be concentrated in the six Northern Border (NB) provinces. Support for local governance strengthening will be directed to local governments (municipalities and village councils) where political commitment is evident, and sustainability can be attained. This will be a priority in approximately 25 NB local governments where initial successes using these criteria have been achieved. The program will target traditionally marginalized sectors of the population (indigenous, Afro-Ecuadorian, women, disabled, refugees and victims of trafficking), supporting their local organizations to ensure their role in decision making and benefit sharing. Outputs include increased citizen trust and effective participation in the governance process. Principal implementers: To be determined through a competitive process.

USAID will fund local economic development activities that build upon the results achieved through 2006 from USAID's support to key agricultural clusters in the NB region, mainly cacao, coffee, broccoli and avocado. USAID will enhance licit business opportunities and employment by improving the local business climate and competitiveness, market linkages and trade opportunities. These opportunities will be greatly improved by the anticipated approval and implementation of a Free Trade Agreement (FTA) with the United States. The FTA offers Ecuadorian businesses an opportunity to expand access of local products already entering the US market and to develop niche markets for new products. Technical assistance and training will be provided with an emphasis on strengthening the competitive positioning of businesses, securing profitable market shares for sustainable products, developing entrepreneurial skills, and strengthening business management. Just as models of successful results in local governance will be developed, the aim here is to produce sustainable models of local economic growth with equity. Principal implementers: To be determined through a competitive process.

#### **FY 2006 Program**

##### **SO: 518-xx3 Natural Resources Management & Trade and Competitiveness**

#### **Improve Sustainable Management Of Natural Resources & Biodiversity**

There are no activities planned.

#### **FY 2007 Program**

##### **SO: 518-xx3 Natural Resources Management & Trade and Competitiveness**

#### **Improve Private Sector Competitiveness**

Improved Private Sector Competitiveness (\$300,000 DA; \$1,290,000 ESF). USAID will increase productivity and growth of businesses, especially in rural areas, by eliminating obstacles from production to sale. USAID will provide technical assistance to increase the competitiveness of the private sector (small, medium, micro and rural businesses) in selected industries and clusters. This program will emphasize environmentally sound income generating activities such as agro-forestry, ecotourism, sustainable land use, and organic products for the export market. USAID will help these businesses develop contacts with foreign buyers and investors interested in joint ventures, which will increase production and sales. USAID will also provide assistance to private entrepreneurs to meet regulatory and market standards and certification and phytosanitary requirements needed to attract buyers and meet market demands. Principal implementers: To be selected on a competitive basis.

#### **Improve Sustainable Management Of Natural Resources & Biodiversity**

Improve Sustainable Management of Natural Resources and Biodiversity (\$3,644,000 DA). USAID will improve the sustainable management of natural resources and biodiversity in Ecuador through conservation of large, biologically important protected areas and indigenous territories.

USAID will support the consolidation of national protected areas, which cover 19% of the Ecuador's continental area, plus the Galapagos National Park and Marine Reserve. These remarkable areas harbor

most of the country's biodiversity. USAID will also support the efforts of municipal governments and private landowners to manage their own protected areas. Activities will focus on technical and financial assistance to overcome fundamental challenges, including insufficient local participation, administrative weaknesses, and lack of sustainable financing.

The other strategic area for USAID intervention is indigenous territories, which cover approximately 20% of Ecuador. In these areas, USAID will provide technical and financial assistance to address the key challenges facing indigenous groups: insecure tenure, weak institutions, and poverty resulting from inadequate economic opportunities. Indigenous peoples are among the most vulnerable and poor of all Ecuadorians. They are key allies not only in conserving their lands, but also because of their demonstrated commitment to contain the spread of narcotrafficking.

USAID will address the underlying impediments to the sound management of these areas, including weak institutions that suffer from poor governance, limited public participation, and lack of sustainable financing as well as insufficient benefits flowing to local communities from the management of these areas. To create local economic and livelihood benefits, USAID will place special emphasis on: water supplies originating in protected areas, for urban and rural users, hydropower; agriculture; and tourism. Ecuador's biodiversity gives it a comparative advantage in tourism and the potential to increase the benefits from this sector are significant. International tourism accounted for \$680 million in 2004 and most international tourists visit at least one park, such as the Galapagos. USAID's program will include activities to foster joint ventures that benefit local communities, private operators, and conservation efforts.

This work will also support environmental cooperation between the United States and Ecuador under the bilateral FTA and associated Environmental Cooperation Agreement (ECA), currently being negotiated. USAID will assist Ecuadorian institutions charged with implementing, monitoring, and adjudicating the ECA in order to foster transparency, technically sound decisions, and public participation (including access for indigenous groups and other minorities). The program will support key priorities in the ECA: conservation and sustainable use of biodiversity, voluntary mechanisms to improve environmental management, (including partnerships with local communities, businesses, and NGOs), and effective enforcement of laws and regulations.

Principal implementers: To be selected on a competitive basis.

### **Increase Trade and Investment**

Increase Trade and Investment (\$700,000 DA; \$888,000 ESF). USAID will increase trade opportunities by supporting the implementation of the FTA. Labor, intellectual property rights, technical barriers to trade and sanitary and phytosanitary standards will be priorities for this program. The program will monitor these legal and regulatory changes and track how they result in actual trade increases. Customs reform is also critical and a limited program may be continued, depending on Government commitment. USAID will use ESF funds to continue helping vulnerable sectors adjust to and benefit from a more open, global economy will also continue. ESF funds will fund an analysis of structural barriers to competitiveness in the economy, such as electricity, telecoms, and the oil sector. Inefficiencies in these sectors create major obstacles for investment and private sector development. Principal implementers will be selected on a competitive basis.

## **Results Framework**

### **518-001 Biodiversity Conserved in Selected Protected Areas , Their Buffer Zones and Indigenous Territories**

**Program Title: Biodiversity Conservation**

**IR1.1:** Adequate capacity developed to manage natural resources demonstrating transparent and accountable governance

**IR1.2:** Sustainable natural resources management practices adopted

**IR1.3:** Sustainable financing mechanisms contribute to conservation efforts implemented

### **518-011 Improved Social and Economic Conditions of Inhabitants along the Peru-Ecuador Border, Thereby Promoting Border Integration**

**Program Title: Southern Border Development**

**IR11.1:** Increased access to major infrastructure.

**IR11.3:** Increased availability and access to social services, with emphasis on health, water, and sanitation.

**IR11.4:** Improved natural resource management in selected areas along the border.

**IR11.5:** Increased private investment in the border area.

**IR11.6:** Improved capacity of local governments to plan projects and implement services.

### **518-012 Increased Support for the Democratic System**

**Program Title: Democracy and Conflict Prevention**

**IR12.1:** Improved transparency and accountability of key democratic institutions.

**IR12.2:** Greater inclusiveness of democratic processes.

**IR12.3:** Increased policy consensus in key democratic areas.

### **518-013 Spread of the Andean Regional Coca/Cocaine Economy into Ecuador Contained**

**Program Title: Northern Border Development**

**IR13.1:** Citizen satisfaction with performance of local democratic institutions increased.

**IR13.2:** Licit income and employment opportunities increased.

**IR13.3:** More effective enforcement of laws related to counter narcotics and violent crimes.

**IR13.4:** Government of Ecuador public forces more effectively defend security in northern border area.

**IR13.5:** Ecuadorian public recognizes that coca/cocaine economy is a national problem.

### **518-014 Increased Economic Opportunities for the Poor**

**Program Title: Economic Opportunities**

**IR14.1:** Improved Financial Sector Transparency and Deepening

**IR14.2:** Macroeconomic policies/environment for more equitable growth improved.

**IR14.3:** Increased openness to trade and competitiveness

**Discussion:** IR14.3 has been added to emphasize efforts to enhance the country's investment climate, competitiveness and trade.

### **518-XX1 Democracy**

**Program Title: Democratic Governance and Local Development**

### **518-XX2 Alternative Development**

**Program Title: Alternative Development Program**

### **518-xx3 Natural Resources Management & Trade and Competitiveness**

**Program Title: Natural Resources, Trade and Competitiveness**

**518-XXX Economic Growth**

**Program Title: Natural Resources & Trade and Competitiveness**

**518-ZZZ Environment**

**Program Title: Environment**